

# APPENDIX 9: SUMMARY OF PROPOSED FUNDING METHODOLOGY AND ALLOCATION PRINCIPLES

This summary is taken from a paper based on financing principles developed by the Public Health Improvement Partnership Finance Committee. The paper contains recommendations for how the Washington State Department of Health will work with local health partners in determining allocations of state-administered funds. The complete set of recommendations is available at <http://www.doh.wa.gov/phil/documents/Financing/fundingallocation/recommendations.pdf>.

## Definitions:

**Funding methodology**—The formula used to calculate an allocation

**Funding allocation**—The amount of funding distributed as a result of a funding methodology formula

## Finance system principle:

Public health funding is a shared responsibility of federal, state, and local government.

### Allocation group recommendation

- Funding methodologies and allocations will be developed jointly by the Department of Health and local health jurisdictions.
- Communication is a joint responsibility.

## Finance system principle:

Federal, state, and local funds can be used most effectively when restrictions are few, while still maintaining accountability for public health outcomes.

### Allocation group recommendation

- Use evidence of effective program strategies in allocating flexible funds.

- Options to consider when funds are unrestricted: population, level of effort needed to meet requirements, legislative intent.

## Finance system principle:

State and federal sources should be allocated based on regularly updated, well-defined/ documented/communicated, measurable characteristics.

### Allocation group recommendation

#### Selecting funding methodology:

- Evaluate the impact of a new funding method or changing an existing one.
- Review programmatic strategies in light of available dollars, allocation, and effectiveness of strategies.
- Link the purpose of funding with methodology. For example:
  - o Specific population—specific target
  - o Capacity/broad population focus—statewide population target
- Select an approach appropriate to the subject, i.e., incidence (rate) v. prevalence (number of people affected).

## Deciding allocation amounts:

- Use available assessment data at onset of allocation review. Develop a picture of what is happening with the issue being considered.

## Advisers:

- Gather input using advisers to guide decision-making.

### Regular updates:

- Schedule a methodology review every 10 years at a minimum or when there are major changes in the funding, changes in data elements of a formula, or changes in federal requirements.
- Schedule an allocation review every biennium to include new data as available, unless there are substantial changes in funding that require immediate action.

For example: If methodology is going to change, synchronize any changes with the budgeting process, if possible. When there is a difference between the funding target and current allocation, bring all LHJs to their targeted allocation. Adjustments in funding should be phased in over time to reach targets.

### Communication:

- Provide an opportunity for all affected by the allocation to be involved and “heard,” both in the development of the methodology as well as the allocation updates.
- Funding methodology and allocation process should be a participatory, transparent, and understandable process.

### Finance system principle:

Financial incentives should exist to encourage partnerships that result in less costly and most cost-effective public health service.

#### Allocation Group recommendation

- If funds are insufficient to be effective when allocated among all local health jurisdictions statewide, consider: Not distributing statewide; coordinating funding with other programs with similar goals; leveraging funds (e.g., common outcomes or statement of work); reviewing flexibility or strategies; seeking more funding; developing a regional strategy; or building in program evaluation only in areas with sufficient population to be statistically significant.
- Funds allocated for a specific program should be used to implement that program. Evaluation and reporting requirements must be reasonable.
- Contract deliverables, program and reporting requirements must be consistent with the allocation amount.